

CABINET COMMITTEE ON
FEDERAL STAFF RETIREMENT SYSTEMS
WASHINGTON, D. C. 20415

AGENDA

1. Comparability and Cost Control. The principle of comparability should be applied to total compensation of civilian personnel, and an equitable relationship between total compensation of military and civilian personnel should be maintained. Expenditures for fringe benefits should be identified and controlled, and procedures for gathering data and comparing costs should be improved. (A-1)
2. Post-Retirement Adjustment of Benefits. Government should maintain the purchasing power of annuities and retired pay of its retirees. The present method of making adjustments based on increases in the Consumer Price Index should be retained, and the same adjustment formula should be applied by all systems. Increases beyond those called for by this formula should be opposed. (A-3)
3. Relationship with Social Security.
 - a. Transfer of Credits. When a CSR or FSR employee (or former employee) or his family are ineligible for staff retirement benefits at the time he dies, becomes disabled, or reaches retirement age, his credits should be transferred to Social Security and his Federal employment should be treated as if it had been performed under Social Security. (A-4-a)
 - b. Social Security Minimum. CSR and FSR employees, and their survivors, who become eligible for staff retirement benefits shall be assured that the amounts they receive from the retirement system (or from the retirement system and Social Security together if a Social Security benefit is payable on the basis of other work) are at least equal to the Social Security benefit that would be payable if the Social Security benefit computation formula had been applicable to the Federal service. (A-4-b)
 - c. Medicare. All future appointees to the Federal service, and all present employees who desire such coverage, should be covered under the Social Security health insurance program. (A-4-c)
4. Age-Service Requirements for CSR. Age 65 should be established as the normal retirement age, but retention on a year-to-year basis should be permitted up to age 70. Voluntary retirement on full annuity should be permitted beginning at age 55 with 30 years of service, at age 60 with 20 years, and (as at present) age 62 with 5 years. Retirement should be mandatory at age 70 for all with 5 years of service. Existing authority

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to reemploy annuitants at any age should be retained. All persons appointed after age 65 should be excluded from retirement system coverage. (B-1) The preferential early retirement provisions (50-20) should not be extended to occupational groups other than those requiring performance of hazardous law-enforcement duties. (B-1)

5. Annuity Computation Formula. Earnings after age 65 for service after date of enactment should be disregarded (except in the case of elected officials) in establishing the high-5 average, and the computation formula should be changed to use $1\frac{1}{2}\%$ as the multiplier for the first 5 years of service and 2% for all remaining years. (B-2)
6. Two-Way Option at GS-13 and Above. Agencies should be authorized to retire, at management's discretion, any employee at GS-13 and above who has reached age 55 and has 30 years of service. (B-3)
7. Reemployment of CSR Annuitants. A reemployed annuitant should be allowed to receive full salary plus annuity for up to 720 hours a year, with salary reduced by the amount of the annuity during the remainder of the year, provided the total amount received during the year does not exceed the highest per annum rate at which he is employed during the period. (B-8)
8. FSR Coverage for Proposed Foreign Affairs Officers. Foreign Service staff personnel and personnel who convert to the proposed new category of Foreign Affairs officer in State, AID, and USIA should be brought under FSR as proposed in H.R. 6277. (C-1)
9. Military Force-Management Study. Recommendations for fundamental changes in MSR should await completion of the force-management study already undertaken by the Department of Defense. (D-1)
10. Noncontributory MSR System. MSR should be continued on the present noncontributory basis. (D-3)
11. Financing and Funding of Civilian Systems.
 - a. Financing and Funding of CSR and FSR. Increased retirement costs resulting from future wage increases should be shared equally by employees and Government; the employees' share should be paid by forfeiture of a portion of the wage increase and the Government's share should be reflected in a special appropriation. Normal costs of future liberalizations should also be shared equally and contribution rates should be raised to cover them. Costs of future benefit increases for persons already retired should be financed by Government through a special appropriation. The CSR and FSR Funds should be merged, and the trust fund balance should be maintained at a point adequate to cover future benefit payments as they become due. (A-2-a)

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11. Financing and Funding of Civilian Systems (continued)

b. Administrative Costs of Retirement. Costs of administering the retirement systems should be financed from the CSR Fund; a single limitation covering costs for administering retirement, life insurance, and the two health benefits programs should be authorized annually and assessed against the appropriate funds on the basis of CSC's estimates of relative costs. (A-2-b)

c. MSR Costs. Pending completion of the Department of Defense force-management study, accrued retirement costs of MSR should be reflected annually in total obligational authority; however, new obligational authority should reflect only the expenditures expected. (A-2-c)

12. Policy Statement. (Drafted for possible use as preamble to draft legislation incorporating Committee's recommendations. See page 10 of introductory material, "Federal Staff Retirement Systems in Review.")

13. Discussion of Other Proposals of Interest to Committee Members.

PROPOSALS BELIEVED GENERALLY ACCEPTABLE AND NOT REQUIRING DISCUSSION

A. Proposals Applicable to More Than One System

Benefits for Student Children. CSR, FSR, MSR, and RSFPP benefits for children should be continued to their 22nd birthday, as under Social Security, if they are full-time students. Benefits should be continued for interim periods of up to 4 months between school sessions and should be restored if a child becomes a student after age 18 but not before age 22. (A-5-a)

Benefits for Surviving Spouse Who Remarries. CSR and FSR benefits payable to a surviving spouse who remarries after age 60 should be continued. Benefits to a surviving spouse who remarries before that age should be terminated but reinstated, subject to certain conditions, if the subsequent marriage terminates. (A-5-b)

Life Insurance. The CSR and FSR life insurance maximum should be based on Executive Level II, and CSC should be given discretion to adjust rates on the basis of its estimates of level premium cost, subject to maintaining the present 2-to-1 ratio for sharing of costs. (A-6)

Merger of Retirement Systems. CSC should confer with administrators of other contributory systems and present legislation or initiate other action to abolish such systems as practical and place the affected employees under CSR. (A-7)

Earlier Separation of Disability Retirees. Separation of CSR and FSR employees retiring for disability, or optionally because of illness prevents their return to work, should be effected immediately upon approval of their applications for retirement. Such employees should be paid for their

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unused sick leave with temporary annuity supplements equalling the difference between their annuity and the salary they would have received had they remained in pay status for the time represented by their unused sick leave. (A-8-a)

Leave System. CSC should submit as promptly as possible its conclusions and recommendations for improving the Government's leave system. (A-8-b)

Optional vs Disability Retirement. Employees who are eligible for optional retirement with equivalent retirement, health benefits, group life insurance, and Federal income tax treatment should not be considered for disability retirement. (A-8-c)

Tax Treatment of Retirement Benefits. Treasury should be asked to study all staff retirement plans, with participation and review by other interested agencies, with a view to equating tax treatment of retirement benefits with that accorded OASDI benefits. (A-9)

Voluntary Contributions. Voluntary contributions to the CSR and FSR Funds should be discontinued upon enactment of enabling legislation. (A-10)

Deposits and Redeposits. Failure to redeposit CSR contributions that were refunded should be treated the same as failure to make deposits not withheld; credit for the service should be allowed, but the 10% reduction formula should be applied, if payment is not made. FSR rules in this area should be the same as CSR. (A-11)

B. Proposals Applicable to CSR Only

Guaranteed Minimum Survivor Annuity. The "guaranteed minimum" formula (40% of high-5, or annuity based on service extended to age 60) now applied in cases of disability should also be applied when employees die in service, and the survivor benefit in both cases should be 55% of the guaranteed minimum if that amount is larger than the earned annuity. (B-4)

Earlier Termination of Disability Annuities. Disability annuitants should be dropped from the annuity roll at the end of their second year of 80% earnings, rather than a year later as now. (B-5-a)

Reinstatement of Other Benefits Upon Restoration of Disability Annuity. Annuitants dropped from the disability roll because of medical recovery or restoration of earning power should be allowed to resume their group life insurance and health benefits coverage if their disability annuity is later reinstated. (B-5-b)

Dependency Requirement for Children. CSR should pay benefits to otherwise eligible children, whether or not they received more than half their support from the deceased parent. (B-6)

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CSR Credit for State Employment. CSR credit should be granted only for service which meets the clear general criteria presently established for that purpose. Proposals which would broaden those criteria, or authorize exceptions to them, to credit service performed by State employees in programs supported wholly or partly by Federal funds should be disapproved. (B-7-a)

Wartime Service of Foreign Service Local Employees. CSR credit should be granted a Foreign Service local employee for service performed for the U. S. while with a neutral government during an interruption of diplomatic relations between the U. S. and the country where the services are performed, provided he completes at least 5 years of Federal service. (B-7-b)

National Guard Technicians. Legislation should be sought to provide formally for Federal appointment and supervision of National Guard Technicians, and they should concurrently be granted a statutory entitlement to CSR credit for past National Guard Technician service. (B-7-c)

C. Proposals Applicable to FSR Only

Maximum Annuity. The ceiling on Foreign Service annuities should be raised from 70% to 80% of the high-5 average salary. (C-2)

Survivorship Provisions. The formula for reducing annuities of Foreign Service personnel who elect to provide survivor annuities should be made the same as that applicable in CSR, and the percentage of the base annuity to which a survivor becomes entitled should be set at 55% as in CSR. Provision of \$2,400 minimum annuities for widows of participants who die in service and requirement that a retiring participant provide for a \$2,400 minimum survivor annuity should be repealed. Officers who retired before October 16, 1960, without electing any survivor annuity should be given an opportunity to do so now, subject to certain conditions. (C-3)

Annuity Adjustments. The formula for adjusting FSR annuities in line with the CPI should be made identical to the formula used by CSR, and supplemental increases comparable to those approved for CSR under the Daniels bill should be authorized for FSR. (C-4)

D. Proposals Applicable to MSR Only

Survivorship Elections and Benefit Entitlements under RSFPP. Members participating in the RSFPP should be permitted to make their election of options up to the date of retirement. (D-4)

Tax Treatment under RSFPP. Pending completion of and action on the Treasury study recommended in A-9, tax treatment of retirees and their survivors under RSFPP should be brought in line with tax treatment of retirees and their survivors under CSR and FSR. (D-5)

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Retirement Credit for Reserve Service. Retirement credit for prior Reserve service should be granted to enlisted men, as it already is to officers. (D-6)

Retired Pay Entitlements for Reserve Officers. The practice of allowing Reserve officers to retire from a "permanent" grade higher than any in which he has ever served on active duty should be discontinued, with appropriate transitional provisions to protect entitlements already earned. (D-7)

Supplemental Group Life Insurance. A supplemental group life insurance plan scaled to salary should be provided for Uniformed Services members whose pay exceeds the \$10,000 maximum authorized under SGLI, premium costs to be borne by participating members and Government to assume costs attributable to the extra hazard of military service. (D-8)